

November 4, 2010

# Inspector General

## United States

## Department *of* Defense



American Recovery and Reinvestment Act of 2009 -  
Constructing a Child Development Center and  
Repairing Building 422 - Fort Hood, Texas

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## **Acronyms and Abbreviations**

CDC	Child Development Center
DPW	Directorate of Public Works
FAD	Funding Authorization Document
FAR	Federal Acquisition Regulation
FBO	Federal Business Opportunities
FPDS	Federal Procurement Data System
FSRM	Facilities Sustainment, Restoration, and Modernization
MILCON	Military Construction Program
OMB	Office of Management and Budget
USACE	U.S. Army Corps of Engineers



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November 4, 2010

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/  
CHIEF FINANCIAL OFFICER  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: American Recovery and Reinvestment Act of 2009—Constructing a Child Development Center and Repairing Building 422—Fort Hood, Texas (Memorandum No. D-2011-RAM-001)

This memorandum provides results from our audit of selected American Recovery and Reinvestment Act projects at Fort Hood, Texas. The audit included an analysis of support provided by the U.S Army Corps of Engineers—Fort Worth District and the Fort Hood Directorates of Public Works and Contracting. We determined that U.S. Army Corps of Engineers—Fort Worth District and Fort Hood personnel properly planned, justified, and contracted two American Recovery Act projects.

We will continue to review DOD's progress and issue subsequent reports and memoranda that will discuss our evaluation of DOD's implementation of the American Recovery and Reinvestment Act. We are making no recommendations and do not require a written response. Therefore, we are publishing this memorandum in final form.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9201 (DSN 664-9201).

Richard B. Jolliffe  
Assistant Inspector General  
Acquisition and Contract Management

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# Results in Brief: American Recovery and Reinvestment Act of 2009—Constructing a Child Development Center and Repairing Building 422—Fort Hood, Texas

## What We Did

Our objective was to review the planning, funding, contracting, and initial execution of two American Recovery and Reinvestment Act of 2009 (Recovery Act) projects at Fort Hood, Texas, to determine whether the efforts of the Army complied with Recovery Act requirements, Office of Management and Budget guidance, the Federal Acquisition Regulation, and DOD implementing guidance.

We reviewed:

- a \$12.7 million Recovery Act-funded Military Construction project to design and construct a child development center and
- an \$8.1 million Facilities Sustainment, Restoration, and Modernization project to repair building 422 to provide consolidated office space for the Directorate of Information Management.

## What We Found

Fort Hood and U.S. Army Corps of Engineers personnel properly planned, funded, and began initial execution of Recovery Act projects for constructing a child development center and repairing building 422 for use by the Department of Information Management. Fort Hood and U.S. Army Corps Engineers personnel also properly solicited and competitively awarded two fixed-price contracts. In addition, the contracts contained the clauses required by the Federal Acquisition Regulation for contract actions funded through the Recovery Act.

## What We Recommend

This report contains no recommendations.

## Management Comments

We coordinated with the Installation Management Command on a discussion draft of this report.

**Figure 1. Beginning Phase of Work for the Child Development Center at Fort Hood**



Source: U.S. Army Corps of Engineers

**Figure 2. Exterior of Building 422 at Fort Hood**



Source: Site Visit Photo

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# **Introduction**

## **Audit Objectives**

The primary objective of the audit was to determine whether DOD and its Components were planning and implementing the American Recovery and Reinvestment Act of 2009 (Recovery Act) by meeting the requirements in the Recovery Act, Office of Management and Budget (OMB) Memorandum M-09-10, “Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” February 18, 2009, and subsequent related guidance. For this audit, we reviewed the planning, funding, contracting, and the initial execution of Recovery Act projects at Fort Hood that included military construction (MILCON) of a child development center (CDC), valued at \$10.9 million. We also reviewed the Facilities Sustainment, Restoration, and Modernization (FSRM) of building 422, valued at \$7.6 million. In addition, we determined whether the efforts of the Army complied with Recovery Act requirements, OMB guidance, the Federal Acquisition Regulation (FAR), and DOD implementing guidance. See Appendix A for a discussion of our scope and methodology.

## **Recovery Act Background**

The President signed the Recovery Act into law on February 17, 2009. It is an unprecedented effort to jump-start the economy and create or save jobs.

The purposes of this Act include the following:

- (1) To preserve and create jobs and promote economic recovery.
- (2) To assist those most impacted by the recession.
- (3) To provide investments needed to increase economic efficiency by spurring technological advances in science and health.
- (4) To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.
- (5) To stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases

... the heads of Federal departments and agencies shall manage and expend the funds made available in this Act so as to achieve the purposes specified . . . including commencing expenditures and activities as quickly as possible consistent with prudent management.

## **Recovery Act Requirements**

The Recovery Act and implementing OMB guidance require projects to be monitored and reviewed. We grouped these requirements into the following four phases: (1) planning, (2) funding, (3) execution, and (4) tracking and reporting. The Recovery Act requires that projects be properly planned to ensure the appropriate use of funds. Review of the funding phase is to ensure the funds were distributed in a prompt, fair, and reasonable manner. Review of the project execution phase is to ensure that contracts awarded with Recovery Act funds were transparent, competed, and contain specific FAR clauses; that Recovery Act funds were used for authorized purposes; and that instances of fraud, waste, error, and abuse were mitigated. Review of the execution phase also ensures that

program goals were achieved, including specific program outcomes and improved results on broader economic indicators; that projects funded avoided unnecessary delays and cost overruns; and that contractors or recipients of funds reported results. Review of the tracking and reporting phase ensures that the recipients' use of funds was transparent to the public and that benefits of the funds were clearly, accurately, and timely reported.

### ***Recovery Act Contracting Requirements***

The Recovery Act establishes transparency and accountability requirements. Federal Acquisition Circular 2005-32, March 31, 2009, provides policies and procedures for the Government-wide implementation of the Recovery Act and guidance on special contract provisions. Federal Acquisition Circular 2005-32 amended the FAR and provided interim rules that made FAR solicitation provisions and contract clauses immediately available for inclusion in contracts for Recovery Act work.

The specific FAR Recovery Act requirements were for:

- buying American construction material,
- protecting contractor whistleblowers,
- publicizing contract actions,
- reporting, and
- giving the Government Accountability Office and agency Inspectors General access to contracting records.

Federal Government organizations meet requirements for Recovery Act contract actions by posting information on the Federal Business Opportunities (FBO) and Federal Procurement Data System (FPDS) Web sites. FAR Subpart 5.7, "Publicizing Requirements Under the American Recovery and Reinvestment Act of 2009," directs contracting officers to use the Government-wide FBO Web site (<http://www.fedbizopps.gov>) to:

- identify actions as funded by the Recovery Act,
- post pre-award notices for orders exceeding \$25,000,
- describe supplies in a clear narrative to the general public, and
- provide the rationale for awarding any contracting actions that were not both fixed-price and competitive.

FBO is the Federal Government's central source of Federal procurement opportunities. FBO is a Web-based portal that allows agency officials to post Federal procurement opportunities and contractors to search and review those opportunities. Agencies also post contract award notices on FBO. In addition, to provide transparency, FBO has a separate section identifying Recovery Act opportunities and awards.

FPDS is the Federal Government's central source of procurement information. Contracting officers enter information, to include the Treasury Account Symbol, in the

FPDS for all Recovery Act contract actions. The Treasury Account Symbol enables FPDS to provide transparency by generating and posting a report containing all Recovery Act contract actions.

### ***OMB Recovery Act Guidance***

Criteria for planning and implementing the Recovery Act continue to change as OMB issues additional guidance, and DOD and the Components issue their implementation guidance. OMB has issued ten memoranda and one bulletin to address the implementation of the Recovery Act. See Appendix B for Recovery Act criteria and guidance.

### ***DOD Recovery Act Program Plans***

Under the Recovery Act, Congress appropriated approximately \$12 billion to DOD for the following programs: Energy Conservation Investment, FSRM, Homeowners Assistance, MILCON, Near Term Energy-Efficient Technologies, and U.S. Army Corps of Engineers (USACE) Civil Works.

The values of the six Recovery Act programs are shown in the following table.

**DOD Agency-Wide and Program-Specific Recovery Act Programs**

<b>Program</b>	<b>Amount (in millions)</b>
Energy Conservation Investment	\$120
Facilities Sustainment, Restoration, and Modernization	4,260 <sup>1</sup>
Homeowners Assistance	555
Military Construction	2,185
Near Term Energy-Efficient Technologies	300
U.S. Army Corps of Engineers Civil Works	4,600
<b>Total</b>	<b>\$12,020<sup>1</sup></b>

The Recovery Act divides the approximately \$12 billion among 33 DOD and USACE line items of appropriations.

### ***Fort Hood Operations***

Fort Hood is an installation under the West Region of the U.S. Army Installation Management Command. Its mission is to train its assigned units to act as a mobilization station for Army Reserve and National Guard units. Fort Hood also serves a variety of tenant organizations and provides support services for a community of more than

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<sup>1</sup> On August 10, 2010, Title III "Rescissions" of Public Law 111-226 rescinded \$260.5 million of funds from DOD Operations and Maintenance Accounts supporting the Recovery Act. This effectively reduced the DOD Recovery Act Facilities Sustainment, Restoration, and Modernization amounts to approximately \$4 billion and total DOD Agency-wide and Program-Specific Recovery Act program funding to approximately \$11.76 billion.

297,000 soldiers, family members, and retirees. In addition to the 1<sup>st</sup> Cavalry Division and 1<sup>st</sup> Army Division West, Fort Hood is also the residence of Headquarters Command III Corps. Additionally, Fort Hood supports current and future Joint, Army, and combined force mission requirements through the Army's Battle Command Training Center, a combat aviation training area, and the U.S. Army's Operational Test Command, which conducts operational testing of Army equipment, doctrine, force design, and training. The Fort Hood Directorate of Public Works (DPW) and the Directorate of Contracting support Fort Hood by providing project planning and contracting services for FSRM projects.

### ***USACE Fort Worth District***

The USACE Fort Worth District and the USACE Support Center Huntsville, Alabama, support Fort Hood by providing project management and contracting services for MILCON projects. These services include awarding contracts for Recovery Act-funded projects and assigning project managers to oversee the contracted work. To assist in providing these services, the USACE Fort Worth District maintains an office at Fort Hood.

### ***Fort Hood Recovery Act Projects***

Fort Hood had a total of 44 Recovery Act-funded projects, with a total estimated value of \$100.2 million. We selected two projects, valued at \$20.8 million, for review through the use of predictive analytic techniques (See Appendix A). The two projects included constructing a CDC (\$12.7 million) and repairing building 422 (\$8.1 million).

## **Review of Internal Controls at Fort Hood, USACE Fort Worth District, and USACE Support Center**

Fort Hood, USACE Fort Worth District, and USACE Support Center internal controls over the planning, funding, and initial execution of the selected Fort Hood Recovery Act projects were effective as they applied to the audit objectives.

# **Proper Planning, Funding, and Execution of Recovery Act Projects to Construct a Child Development Center and Repair Building 422**

DPW and the Directorate of Contracting personnel at Fort Hood and USACE Fort Worth District personnel properly planned, funded, and performed initial project execution of Recovery Act-funded projects for constructing a CDC (the MILCON project) and repairing building 422 (the FSRM project) for use by the Department of Information Management. As part of initial project execution, the Army also properly solicited and competitively awarded two fixed-price contracts for the MILCON and FSRM projects. The contract solicitations were transparently reported, and the contracts contained the clauses required by the FAR for contract actions funded through the Recovery Act.

## **Results of Reviewing the MILCON Project**

DPW Fort Hood and USACE Fort Worth District personnel appropriately planned and properly funded a Recovery Act project to construct a CDC. Additionally, USACE personnel correctly performed initial project execution (competitively awarding a contract with required FAR clauses) and adequately tracked and reported on the project.

### ***Project Appropriately Planned***

DPW Fort Hood personnel appropriately planned the construction of the CDC. DD Form 1391, "Military Construction Project Data," and supporting documentation, including an economic analysis and an analysis of alternatives for the MILCON, contained project planning specifications. DOD Regulation 7000.14-R, "DOD Financial Management Regulation," volume 2B, chapter 6, requires DOD Components to use the DD Form 1391 to support the request for authorization of both new construction and urgent, unforeseen projects using emergency or contingency authorization. Two specific sections of the form (Items 10 and 11) require details of the requirement for the proposed project and how the current mission would benefit from the proposed project. Item 10, "Description of Proposed Construction," requires clear and concise descriptions of the proposed construction including a complete outline of all principal features of the work. Item 11, "Requirement," requires a detailed, informative statement on why the project is needed, how and under what conditions the requirement is presently being met, and the manner and extent to which mission accomplishment would be affected if the project was not approved.

DD Form 1391 for the MILCON project included an economic analysis by DPW Fort Hood. The economic analysis explained the project objective as providing CDC services for 338 children from 6 weeks to 5 years of age. The economic analysis showed that the MILCON project met the project objective better than alternatives, including renovating existing facilities, leasing other facilities, or doing a combination of renovation and new construction. In addition to the economic analysis, the content of the DD Form 1391

included the Unified Facilities Criteria for planning heating, ventilation, and air-conditioning; telecommunications; fire protection; antiterrorism; and multiple design features.<sup>2</sup>

## ***Project Properly Funded***

Fort Hood and USACE Fort Worth District personnel properly distributed Recovery Act funding for the MILCON project. The Army had originally estimated the MILCON project to cost \$12.7 million in the May 15, 2009, DoD Military Construction Plan. On April 9, 2009, the Assistant Secretary of the Army, Financial Management and Comptroller, issued a Funding Authorization Document (FAD) for \$12.7 million of MILCON Recovery Act funding to Headquarters USACE to fund the project. On September 1, 2009, the USACE Support Center Huntsville, Alabama, awarded a contract task order for \$10.9 million for building the CDC. On September 16, 2009, Headquarters USACE issued a FAD for \$11.7 million of Army MILCON Recovery Act funding to the USACE Fort Worth District to fund the \$10.9 million contract task order plus \$800,000 for contingencies, supervision, and administrative costs for USACE to manage the project.

Under provisions of the DoD Comptroller Memorandum, “Project Cost Variations During Execution of American Recovery and Reinvestment Act Expenditure Plans for Infrastructure Investments,” May 7, 2009, the Army can use the actual bid savings (after project completion) to offset cost growth on other Recovery Act-funded construction of CDCs. As of January 20, 2010, Headquarters USACE recognized bid savings of \$11.7 million for the MILCON of seven Recovery Act-funded CDC projects. The Army combined the bid savings on this project with bid savings on other CDC projects and nominated a project for constructing an additional CDC. On April 29, 2010, the Army, through the DOD Comptroller, notified Congress of its intent to fund the \$9 million construction of a CDC at Fort Polk, Louisiana, using combined bid savings from Fort Hood and the six other Recovery Act-funded CDC projects.<sup>3</sup> Because the Recovery Act provided the Army with \$80 million specifically for the construction of CDCs, the Army cannot use bid savings on the construction of CDCs to supplement or nominate other types of Recovery Act-funded projects.

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<sup>2</sup> Under Secretary of Defense (Acquisition, Technology, and Logistics) Memorandum, “Department of Defense Unified Facilities Criteria,” May 29, 2002, requires the Military Departments to use Unified Facilities Criteria for planning, designing, constructing, sustaining, restoring, and modernizing of facilities, regardless of funding source.

<sup>3</sup> The DOD Office of Inspector General is assessing the Army’s overall planning of Recovery Act-funded MILCON of CDCs (Project No. D2009-D000AE-0268.000, “Recovery Act-Funded Military Construction of Army Child Development Centers”). In performing this assessment, we considered factors beyond individual DD Form 1391 justifications, including whether the Army most equitably apportioned Recovery Act-funded child care capacity to base locations where the need was greatest. We used data projections through FY 2015 to compare the child care needs of Fort Hood to the needs of six other Army installations receiving Recovery Act funding to build a CDC. These installations include Fort Bragg, NC; Hunter Army Airfield, GA; Fort Drum, NY; Fort Belvoir, VA; Fort Carson, CO; and Fort Eustis, VA. Army officials stated that any adjustments to the size of the seven awarded CDC contracts would lead to delays in project execution and increased project costs, including incurring penalties to cancel the existing contracts.

## ***Project Correctly Executed***

DPW Fort Hood and USACE Fort Worth District personnel correctly performed initial project execution of the MILCON project. Initial project execution included awarding a contract that was competitively solicited with full transparency, and that contained clauses required by the FAR for Recovery Act contract actions.

## **Contract Was Competitively and Transparently Solicited and Awarded**

USACE Fort Worth District personnel competed the MILCON project among small-business contractors and received two bids. On September 1, 2009, the USACE contracting office awarded the winning bidder a fixed-price task order for \$10.9 million on multiple-award task order contract, W912DY-08-D-0029. On September 8, 2009, contracting personnel posted the award on the FBO Web site, and on October 6, 2009, the contractor received a notice to proceed from the contracting officer.

USACE Fort Worth District personnel transparently reported the contracting process for the MILCON project. The original presolicitation notice for multiple-award task order contract W912DY-08-D-0029, posted on November 30, 2007, to the FBO Web site, pre-dated enactment of the Recovery Act and, therefore, did not identify the presolicitation as a Recovery Act action. However, on May 27, 2009, USACE Fort Worth District personnel posted a special notice to the FBO Web site regarding the solicitation for the CDC task order that identified the project as a Recovery Act action and clearly explained the nature of the work. Additionally, USACE posted the task order and award notice for the project on the FBO Web site, further identifying the project as a Recovery Act action.

## **Contract Included Required Federal Acquisition Regulation Clauses**

USACE Fort Worth District personnel included the clauses required by the FAR in the task order under which they were executing the MILCON project. The multiple-award task order contract that contained the MILCON project task order included clauses required by the FAR for actions funded through the Recovery Act. Specifically, the contract contained:

- FAR 52.203-15, “Whistleblower Protections Under the American Recovery and Reinvestment Act of 2009;”
- FAR 52.204-11, “American Recovery and Reinvestment Act – Reporting Requirements;”
- FAR 52.215-2, “Audit and Records – Negotiation;”
- FAR 52.225-21, “Required Use of American Iron, Steel, and Manufactured Goods–Buy American Act–Construction Materials;” and
- FAR 52.225-23, “Required Use of American Iron, Steel, and Other Manufactured Goods–Buy American Act–Construction Materials Under Trade Agreements (Aug 2009).”

## ***Project Adequately Tracked and Reported***

USACE Fort Worth District personnel complied with Recovery Act tracking and reporting requirements for the MILCON project. OMB Memorandum M-10-08,

“Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non-Reporting Recipients, and Reporting of Job Estimates,” December 18, 2009, establishes quarterly reporting requirements for recipients of Recovery Act funding and assigns responsibilities to Federal agencies to review the reports. Additionally, “FRAGO # 25 to Operations Order 2009-11 (USACE Execution of the American Recovery & Reinvestment Act 2009) (Recipient Reporting),” December 2009, requires that USACE Headquarters officials identify contractors receiving Recovery Act funding that have not complied with requirements for submitting quarterly contract information through [www.FederalReporting.gov](http://www.FederalReporting.gov). Required contract information includes amounts obligated, amounts invoiced, number of people employed on the contract, and amount subcontracted. We verified, through [www.FederalReporting.gov](http://www.FederalReporting.gov), that the contractor for the MILCON project met the quarterly recipient reporting requirements for recipients of Recovery Act funding. We also verified that summary information for the recipient contractor was available to the public on [www.Recovery.gov](http://www.Recovery.gov). We did not verify whether Fort Hood DPW personnel validated the reporting of the recipient contractor. We plan to cover Army validation of recipient contractor reporting in a subsequent phase of our Recovery Act audit efforts.

### ***Cost and Schedule Status Not Yet Available***

At the time of our review, USACE performed only preliminary construction work on the MILCON project. Therefore, no cost or schedule data were available for our review.

## **Results of Reviewing the FSRM Project**

Fort Hood DPW personnel appropriately planned, properly funded, and correctly began initial execution of a Recovery Act-funded project for repairing Fort Hood building 422 to provide consolidated office space for the Directorate of Information Management. As part of initial project execution, the Fort Hood Directorate of Contracting personnel properly solicited and competitively awarded a fixed-price contract for the FSRM project. The contract solicitations were transparently reported, and the contract contained the clauses required by the FAR for contract actions funded through the Recovery Act. Further, Fort Hood personnel and the contractor adequately tracked and reported on the project.

### ***Project Appropriately Planned***

We reviewed the DD Form 1391 and supporting documentation for the FSRM project, which was to repair infrastructure systems in Fort Hood building 422. Documentation showed that the FSRM project, originally estimated to cost \$8.1 million, was a more economical alternative than replacing the building, which Fort Hood personnel estimated would cost \$28.3 million. The DD Form 1391 noted that the project was necessary to consolidate the operations of the Directorate of Information Management. Further, the DD Form 1391 stated that the building had a failing roof system and contained hazardous materials including asbestos, mold, and lead-based paint. Additionally, we verified through visual inspection that the building was in need of repair.

## ***Project Properly Funded***

Funding documentation showed that officials at the Fort Hood Directorate of Contracting properly transferred \$8.1 million of Recovery Act funding for the project to the Fort Hood DPW. The appropriate treasury account symbol was correctly included on the purchase request reviewed for the project. The Army initially estimated the project would cost \$8.1 million in the May 15, 2009, “Department of Defense Facilities Sustainment, Restoration, and Modernization Program Plan.” The Army later awarded the project contract in March 2010 for \$7.57 million, approximately \$530,000 less than the original estimate. As provided in the DOD Comptroller Memorandum (discussed in the “Project Was Properly Funded” section for the MILCON project), the Army can use the bid savings on this project to fund other Recovery Act projects at Fort Hood.

## ***Project Correctly Executed***

Fort Hood DPW personnel correctly performed initial project execution of the FSRM project. Initial project execution included awarding a contract that was competitively solicited with full transparency and that contained clauses required by the FAR for Recovery Act contract actions.

## ***Contract was Competitively and Transparently Solicited and Awarded***

The Fort Hood Directorate of Contracting personnel issued solicitation W91151-10-B-0006 on February 5, 2010, and awarded contract W91151-10-C-0073 on March 24, 2010, for \$7.57 million, after receiving 11 bids for the project. The solicitation indicated that the acquisition was set-aside for 8(a) construction firms within Region VI (includes the states of New Mexico, Oklahoma, Texas, Arkansas, and Louisiana), and the presolicitation notice indicated that no large-business bids would be accepted.

To ensure the transparency of the transactions related to the FSRM project, Directorate of Contracting personnel posted a presolicitation notice on the FBO Web site on January 28, 2010, that specified that the project was a Recovery Act action. Directorate of Contracting personnel subsequently posted an award notification on the FBO Web site on March 25, 2010, for informational purposes only.

## ***Contract Included Required Federal Acquisition Regulation Clauses***

Contract W91151-10-C-0073 for the FSRM project included the clauses required by the FAR for actions funded through the Recovery Act. Specifically, the contract contained:

- FAR 52.203-15, “Whistleblower Protections Under the American Recovery and Reinvestment Act of 2009;”
- FAR 52.204-11, “American Recovery and Reinvestment Act – Recovery Act Reporting Requirements;”
- FAR 52.214-26, “Audit and Records – Sealed Bidding;”
- FAR 52.244-6, “Subcontracts for Commercial Items;”

- FAR 52.225-21, “Required Use of American Iron, Steel, and Other Manufactured Goods – Buy American Act—Construction Materials;” and
- FAR 52.225-23, “Required Use of American Iron, Steel, and Other Manufactured Goods—Buy American Act—Construction Materials Under Trade Agreements (Aug 2009).”

### ***Project Adequately Tracked and Reported***

Fort Hood DPW Personnel complied with Recovery Act tracking and reporting requirements for the FSRM project, which are provided in OMB Memorandum M-10-08 and “FRAGO # 25 to Operations Order 2009-11 (USACE Execution of the American Recovery & Reinvestment Act 2009) (Recipient Reporting),” December 2009, and are summarized in the “Project Was Adequately Tracked and Reported” section for the MILCON project. We verified, through [www.FederalReporting.gov](http://www.FederalReporting.gov), that the contractor for the FSRM project met the quarterly recipient reporting requirements for recipients of Recovery Act funding. We also verified that summary information for the recipient contractor was available to the public on [www.Recovery.gov](http://www.Recovery.gov). We did not verify whether Fort Hood DPW personnel validated the reporting of the recipient contractor. We plan to cover Army validation of recipient contractor reporting in a subsequent phase of audit effort.

### ***Cost and Schedule Status Not Yet Available***

Contract W91151-10-C-0073 was awarded on March 24, 2010, and no cost or schedule variances were available at the time of our review.

# **Appendix A. Scope and Methodology**

We conducted this audit from October 2009 through November 2010 in accordance with generally accepted government auditing standards. Generally accepted government auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

## **Scope**

We selected two Recovery Act projects at Fort Hood with a total estimated cost of \$20.8 million. These projects included a MILCON project for a CDC estimated to cost \$12.7 million and an FSRM project, involving repairing building 422, estimated to cost \$8.1 million. Our review included interviewing Army staff at the Fort Hood DPW and the Directorate of Contracting, as well as at the USACE Fort Worth District. We also performed a visual inspection to help determine whether Fort Hood building 422 was in need of repair. Further, we reviewed requirements, contracting, and financial documentation dated from August 2002 through May 2010.

## **Methodology**

Our overall audit objective was to evaluate DOD's implementation of plans for the Recovery Act of 2009. To accomplish our objective, we audited the planning, funding, project execution, and tracking and reporting of Recovery Act projects to ensure that efforts of the Military Services and Defense agencies met the accountability and transparency requirements in the Recovery Act and OMB's implementing guidance. Specifically, we determined whether:

- the selected projects were adequately planned to ensure the appropriate use of Recovery Act funds (Planning);
- funds were awarded and distributed in a prompt, fair, and reasonable manner (Funding); and
- contracts contained Recovery Act FAR clauses (Project Execution);

Before selecting DOD Recovery Act projects for audit, the Quantitative Methods and Analysis Division of the DOD Office of Inspector General analyzed all DOD agency-funded projects, locations, and contracting oversight organizations to assess the risk of waste, fraud, and abuse associated with each. We selected most audit projects and locations using a modified Delphi technique, which allowed us to quantify the risk based on expert auditor judgment and other quantitatively developed risk indicators. We used information collected from all projects to update and improve the risk assessment model. We selected 83 projects with the highest risk rankings. Auditors chose some additional projects at the selected locations. The two Fort Hood Recovery Act projects reviewed in this report were among the 83 selected projects.

We did not use classical statistical sampling techniques that would permit generalizing results to the total population because there were too many potential variables with unknown parameters at the beginning of this analysis. The predictive analytic techniques employed provided a basis for logical coverage not only of Recovery Act dollars being expended, but also of types of projects and types of locations across the Military Services, Defense agencies, State National Guard units, and public works projects managed by USACE.

## **Use of Computer-Processed Data**

We relied on computer-processed data from the FBO Web site (<http://www.fedbizopps.gov>) to meet our audit objectives. Specifically, we relied on the FBO Web site to determine whether the Army met the requirements for transparently reporting Recovery Act-funded contract actions. We tested the accuracy of the computer-processed data by obtaining copies of contract documentation. We also interviewed program officials responsible for reporting on Recovery Act contract actions and for managing Recovery Act funding. No problems with data integrity came to our attention during the audit. From these procedures we concluded that the data we reviewed was sufficiently reliable for our purposes.

## **Use of Technical Assistance**

An engineer from the Technical Assessment Directorate, DOD Office of Inspector General, assisted in the audit. The engineer supported the team in evaluating the MILCON and FSRM projects selected for review.

## **Prior Audit Coverage**

The Government Accountability Office, the Department of Defense Inspector General, and the Military Departments have issued reports and memoranda discussing DOD projects funded by the Recovery Act. You can access unrestricted reports at <http://www.recovery.gov/accountability>.

## **Appendix B. Recovery Act Criteria and Guidance**

The following list includes the primary Recovery Act criteria and guidance (notes appear at the end of the list):

- U.S. House of Representatives Conference Committee Report 111-16, “Making Supplemental Appropriations for Job Preservation and Creation, Infrastructure Investment, Energy Efficiency and Science, Assistance to the Unemployed, and State and Local Fiscal Stabilization, for the Fiscal Year Ending September 30, 2009, and for Other Purposes,” February 12, 2009.
- Public Law 111-5, “American Recovery and Reinvestment Act of 2009,” February 17, 2009.
- OMB Memorandum M-09-10, “Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” February 18, 2009.
- OMB Bulletin No. 09-02, “Budget Execution of the American Recovery and Reinvestment Act of 2009 Appropriations,” February 25, 2009.
- White House Memorandum, “Government Contracting,” March 4, 2009.
- White House Memorandum, “Ensuring Responsible Spending of Recovery Act Funds,” March 20, 2009.
- OMB Memorandum M-09-15, “Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009,” April 3, 2009.<sup>1</sup>
- OMB Memorandum M-09-16, “Interim Guidance Regarding Communications With Registered Lobbyists About Recovery Act Funds,” April 7, 2009.
- OMB Memorandum M-09-19, “Guidance on Data Submission under the Federal Funding Accountability and Transparency Act (FFATA),” June 1, 2009.
- OMB Memorandum M-09-21, “Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009,” June 22, 2009.<sup>2</sup>
- OMB Memorandum M-09-24, “Updated Guidance Regarding Communications with Registered Lobbyists About Recovery Act Funds,” July 24, 2009.
- OMB Memorandum M-09-30, “Improving Recovery Act Recipient Reporting,” September 11, 2009.

- OMB Office of Federal Procurement Policy, “Interim Guidance on Reviewing Contractor Reports on the Use of Recovery Act Funds in Accordance with FAR Clause 52.204-11,” September 30, 2009.<sup>2</sup>
- OMB Memorandum M-10-08, “Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non-Reporting Recipients, Reporting of Job Estimates,” December 18, 2009.<sup>2</sup>
- OMB Memorandum M-10-14, “Updated Guidance on the American Recovery and Reinvestment Act,” March 22, 2010.<sup>2</sup>
- White House Memorandum, “Combating Noncompliance With Recovery Act Reporting Requirements,” April 6, 2010.<sup>2</sup>
- OMB Memorandum M-10-17, “Holding Recipients Accountable for Reporting Compliance under the American Recovery and Reinvestment Act,” May 4, 2010.<sup>2</sup>
- OMB Memorandum M-10-34, “Updated Guidance on the American Recovery and Reinvestment Act,” September 24, 2010<sup>2</sup>

## End Notes

<sup>1</sup> Document provides Government-wide guidance for carrying out programs and activities enacted in the American Recovery and Reinvestment Act of 2009. The guidance states that the President’s commitment is to ensure that public funds are expended responsibly and in a transparent manner to further job creation, economic recovery, and other purposes of the Recovery Act.

<sup>2</sup> Document provides Government-wide guidance for carrying out the reporting requirements included in section 1512 of the Recovery Act. The reports will be submitted by recipients beginning in October 2009 and will contain detailed information on the projects and activities funded by the Recovery Act.



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